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State Water Resources Control Board

Division of Financial Assistance

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Gray Davis
Governor

*The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption.
For a list of simple ways you can reduce demand and cut your energy costs, see our website at <http://www.swrcb.ca.gov>.*

CONSIDERATION OF PROPOSITION 40 CLEAN BEACHES INITIATIVE GRANT PROGRAM PRIORITY LIST

Tuesday, July 1, 2003 – 9:00 a.m.*
Joe Serna, Jr. Cal/EPA Building
Coastal Hearing Room – Second Floor
1001 I Street, Sacramento, CA

This is to inform interested parties of their opportunity to comment on the State Water Resources Control Board's (SWRCB) "draft" Clean Beaches Initiative (CBI) Grant Program Priority List (List). Written comments are due no later than 5:00 p.m. on June 30, 2003. Verbal comments can also be given to the SWRCB at its public workshop on July 1, 2003. The addresses and instructions for providing written and verbal comments are provided at the end of this notice.

BACKGROUND

The Watershed, Clean Beaches, and Water Quality Act (AB 2534) was signed into law by Governor Gray Davis on September 20, 2002. AB 2534 continues the CBI Grant Program started in the Budget Act for State Fiscal Year 2001/2002 (SB 739).

SB 739 initiated the CBI Grant Program with \$32.298 million from Proposition 13 to implement 38 specific projects to address postings and closures at California public beaches caused by bacterial contamination. To date, the SWRCB has committed approximately \$20 million to these projects.

AB 2534 appropriated \$46 million from Proposition 40 for additional CBI grants to help local agencies, non-profit organizations, and public agencies implement projects that protect and restore California's coastal water quality. AB 2534 authorizes CBI grants, up to \$5 million per project, for projects that:

- ◆ Improve water quality at public beaches to meet current ocean water bacterial standards;
- ◆ Improve, upgrade, or convert existing sewer collection systems and septic systems for the restoration and protection of coastal water quality;
- ◆ Implement storm water and runoff pollution reduction and prevention programs for the restoration and protection of coastal water quality; or
- ◆ Implement best management practices for the restoration and protection of coastal water quality.

*This issue may not be heard immediately at 9:00 a.m. but may be delayed due to consideration of an item(s) of a shorter duration.



In addition to meeting one or more of the objectives above, all projects receiving grants from AB 2534 are required to meet the following criteria:

- (a) Projects shall be consistent with California's nonpoint source control program;
- (b) Projects shall demonstrate the capability of contributing to sustained, long-term water quality or environmental restoration, or protection benefits for a period of 20 years;
- (c) Projects shall address the causes of degradation rather than the symptoms;
- (d) Projects shall be consistent with water quality and resource protection plans prepared, implemented, or adopted by the SWRCB, the applicable Regional Water Quality Control Board (RWQCB), and the State Coastal Conservancy (SCC);
- (e) Applicants shall inform the SWRCB of any necessary public agency approvals, entitlements, and permits that may be necessary to implement the Project, and applicants shall certify to the SWRCB at the appropriate time that such approvals, entitlements, and permits have been granted;
- (f) Projects shall be consistent with recovery plans for Coho salmon, Steelhead trout, or other threatened or endangered aquatic species;
- (g) Applicants shall be required to submit to the SWRCB a monitoring and reporting plan;
- (h) Upon completion of the Project, the recipient of the funds shall submit a report to the SWRCB that summarizes the completed activities and indicates whether the purpose of the Project has been met;
- (i) Projects must be reviewed by a Clean Beaches Task Force (CBTF) appointed by the SWRCB to review projects and make recommendations for grant funding;
- (j) The SWRCB must provide opportunity for public review and comment in awarding the funds; and
- (k) Grant funds can only be used for the costs of construction or acquisition of capital assets as specified in Section 16727 of the Government Code.

DEVELOPMENT OF DRAFT PRIORITY LIST

On September 17, 2002, staff of the Division of Financial Assistance (Division) solicited conceptual project proposals for AB 2534 funds from coastal cities and counties, the coastal RWQCBs, and non-profit organizations known to have an interest in coastal water quality. The Division received approximately 250 conceptual proposals with an estimated total cost in excess of \$395 million.

The Division consulted with the CBTF regarding the structure of a Priority List to determine which projects should receive the available funds first. The CBTF recommended that AB 2534 funds be used first to reduce or eliminate bacterial pollution at California's public beaches. The CBTF recommended that proposals be ranked one through four (highest priority to lowest priority) based on the following matrix.

RANK	TYPE OF PROJECT
1	Projects with greatest need for bacterial reduction that propose to use proven techniques to reduce bacteria in ocean waters
2	Projects with greatest need for bacterial reduction that propose to use other techniques to reduce bacteria in ocean waters
3	Projects with lesser need for bacterial reduction that propose to use proven

	techniques to reduce bacteria in ocean waters
4	Projects with lesser need for bacterial reduction that propose to use other techniques to reduce bacteria in ocean waters

Division staff ranked the conceptual proposals in accordance with the CBTF's recommended matrix, and provided copies of the resulting list to the members of the CBTF and staff of the Coastal RWQCBs for their final input. The Division then finalized the draft Priority List taking into account comments made by the CBTF and the Coastal RWQCBs.

ADOPTION OF THE PRIORITY LIST AND INDIVIDUAL GRANT COMMITMENTS

The main objective of the Priority List is to identify those projects most likely to satisfy the goals and requirements of the CBI Program quickly and effectively. It also allows the Division to focus finite staff resources on a manageable number of projects. The projects in Rank 1 on the Priority List are those projects that appear most capable of achieving the goals of the CBI program quickly and effectively. Rank 1 contains approximately 45 projects. The Division believes this number of projects can be managed readily, and intends to recommend to the SWRCB that all agencies whose projects are in Rank 1 be given the opportunity to submit comprehensive project proposals and compete for CBI grant funds.

Based on the number of conceptual proposals submitted to the Division, the need for funds to help local entities solve coastal water quality problems far exceeds the available funds. The Division intends to recommend to the SWRCB that it adopt three measures to ensure that the available funds are distributed equitably and effectively.

1. Three agencies account for 21 of the 45 projects in Rank 1; the combined estimated cost of these projects is about \$18.7 million dollars. The Division intends to recommend that the SWRCB cap the amount of grant funds that any one agency can receive from the CBI grant program at \$5 million; this would be in addition to the \$5 million per project cap specified in AB 2534. The per agency cap would help ensure that all agencies have the opportunity to compete for the limited funds available from AB 2534. The cap would apply only to grant funds available from AB 2534.
2. In addition to the CBI grant program, the Division also administers the State Revolving Fund (SRF) loan program. The SRF loan program is a joint Federal and State program that provides low interest loans to local governments in California to fund wastewater system improvement projects. The Division believes that using CBI funds in combination with SRF funds for wastewater system improvement projects is a prudent way to make the most of the limited amount of CBI funds. Giving a recipient a combination CBI grant and SRF loan for a wastewater system project increases the number of projects that can receive the limited amount of CBI funds. Furthermore providing an agency CBI grant funds for a wastewater system project typically funded solely by SRF money effectively reduces the interest rate on the SRF loan. The reduced effective interest rate on the SRF loan funds may prompt agencies to construct wastewater system improvements sooner than they otherwise would if only SRF funds were available.

Wastewater system improvement projects are identified on the draft List as "Category B"

projects. The Division intends to recommend that the SWRCB allow Category B projects to receive at most 25 percent CBI grant funds (up to a maximum of \$5 million in grant funds per project). Category B projects may request additional funds for the project from the SRF loan program. All other projects on the draft List are identified as "Category A." The Division will recommend that Category A projects in Rank 1 be eligible to receive 100 percent funding for eligible project costs (up to a maximum of \$5 million in grant funds per project).

3. The Division also intends to recommend that CBI grant funds from AB 2534 be released in two stages. The Division will recommend that the SWRCB make \$20 million available when the List is adopted in July 2003. The Division intends to ask the SWRCB in early 2004 to adopt an updated Priority List and make available the remaining grant funds from AB 2534. Releasing a limited amount of CBI funds now provides applicants an incentive to submit comprehensive project proposals expeditiously because applicants will be competing for a limited supply of funds. It also gives applicants in Ranks 2, 3, and 4 an opportunity to develop more effective proposals for the second round of CBI funds from AB 2534.

After the SWRCB adopts the List, potential grant recipients in Rank 1 will be asked to submit comprehensive project proposals that verify that the projects meet the criteria of AB 2534. Recipients with projects in Category B, Rank 1 may also submit the standard SRF application and request SRF loan funds for the portion of their projects not eligible under the CBI program. The Division plans to consult with the CBTF in late summer to early fall 2003 on the comprehensive proposals submitted for all Rank 1 projects. Taking into consideration the per agency cap of \$5 million and 25 percent eligibility for Category B projects, the projects in Rank 1 have a combined estimated cost of about \$30 million. Grant funds will be committed to Rank 1 projects on a first-come, first-served basis until all Rank 1 projects are funded or the \$20 million in stage one is committed by the SWRCB.

In addition to submitting the Priority List to the SWRCB for adoption, the Division will simultaneously ask the SWRCB to delegate to the Executive Director, the Chief Deputy Director, and the Chief of the Division, its authority to make CBI grant commitments. This delegation would only apply to CBI grant commitments for projects that are routine and non-controversial. The designated parties will only be allowed to make a CBI grant commitment if sufficient funds are available and the project is on the Priority List in a fundable Rank.

The Division will ask the SWRCB in early 2004, or earlier if all Rank 1 projects have received grant commitments, to update the Priority List and make the remaining funds available for additional grants. The updated Priority List will include all proposals that did not receive a funding commitment in the first round of funding and any new proposals. Project proponents will also be given an opportunity to modify existing proposals at that time. The Division will then repeat the process of prioritizing projects, consulting with the CBTF and Coastal RWQCBs, and asking the SWRCB to adopt an updated Priority List. After adopting the revised Priority List, project proponents in an eligible Rank will be asked to submit comprehensive project proposals for evaluation and possible grant commitment.

HOW TO COMMENT

Written comments should be submitted as early as possible to allow for thorough staff analysis. All written comments are due no later than 5:00 p.m. on June 30, 2003, and should be directed to Mr. Mark Fong, Division of Financial Assistance, P.O. Box 944212, Sacramento, CA 94244-2120 or 1001 I Street, Sacramento, CA 95814 or via e-mail at fongm@swrcb.ca.gov.

Verbal comments may be directed to the SWRCB at its regularly scheduled workshop on Tuesday, July 1, 2003 -- 9:00 a.m., Joe Serna, Jr. Cal/EPA Building, Coastal Hearing Room - Second Floor, 1001 I Street, Sacramento, CA.

PARKING AND ACCESSIBILITY

Public parking is available in the City of Sacramento Garage on I Street between 10th and 11th Streets. Metered spaces are available on area streets. The Cal/EPA building is accessible by bus and light rail lines operated by Sacramento Regional Transit. The Coastal Hearing Room is accessible to persons with disabilities.

All visitors are required to sign in and receive a badge prior to attending any meeting. The Visitor and Environmental Services Center is located just inside and to the left of the Cal/EPA Building's public entrance. Valid picture identification may be required due to the security level so please allow up to 15 minutes for this process.

FOLLOW-UP SCHEDULE

1. SWRCB Meeting, Wednesday, July 16, 2003 -- 9:00 a.m., Joe Serna, Jr. Cal/EPA Building, Coastal Hearing Room - Second Floor, 1001 I Street, Sacramento, CA. (Please note that the start time for July 16, 2003 meeting is subject to change.)
2. The adopted Priority List and necessary application forms are expected to be available at the website <http://www.swrcb.ca.gov/cwphome/beaches> immediately after the July 16, 2003 SWRCB's Board Meeting.

CONTACT PERSONS

Any questions regarding this issue should be directed to Mr. Mark Fong, Division of Financial Assistance, (916) 341-5827 or fongm@swrcb.ca.gov. Individuals who require special accommodations are requested to contact Mr. Adrian Perez at (916) 341-5880 or APerez@exec.swrcb.ca.gov at least five working days prior to the meeting date. TTY users may contact the California Relay Service at (800) 735-2929 or voice line at (800) 735-2922.

[original signed by]

Debbie Irvin
Clerk to the Board

May 29, 2003

[Enclosure](#)